

BANK INDONESIA

**ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER 2/6/PBI/2000**

**CONCERNING  
  
REQUIREMENTS AND PROCEDURES  
FOR BANK EXAMINATION**

**I. GENERAL REVIEW**

To protect the public interest and uphold sound banking principles and a healthy banking system, it is necessary to obtain a picture of bank policies and the condition of banks, both of strategic importance and those involving risk. To obtain this picture, it is necessary to conduct examination of banks of both general and specific nature. To enable this picture to be comprehensive, examination may be conducted toward specific parties with a direct or indirect interest in the risks borne by a bank in conducting its business activities. These other parties include holding companies, subsidiaries, connected parties, affiliated parties, and the debtors of a bank.

To improve the effectiveness and efficiency of examination, Bank Indonesia may conduct examination by using Bank Indonesia staff or the services of other parties, such as public accountants.

To achieve these objectives, it is necessary to have provisions governing the requirements and procedures for bank examination.

## **II. ARTICLE BY ARTICLE**

### Article 1

#### Number 1

The provisions concerning Commercial Banks are guided by the Decree of the Board of Managing Directors of Bank Indonesia concerning Commercial Banks and the Decree of the Board of Managing Directors of Bank Indonesia concerning Banks based on Syariah Principles.

Provisions concerning Rural Banks are guided by the provisions issued by the Board of Managing Directors of Bank Indonesia concerning Rural Banks and the provisions of Bank Indonesia concerning Rural Banks Based on Syariah Principles.

#### Number 2

The provisions concerning Branch Offices of Foreign Banks are guided by the Decree of the Board of Managing Directors of Bank Indonesia concerning Requirements and Procedure for Establishment of Branch Offices, Sub-Branch Offices, and Representative Offices of Foreign Banks.

#### Number 3

The provisions concerning Representative Offices of Foreign Banks are guided by the provisions of Bank Indonesia concerning Requirements and Procedures for the Establishment of Branch Offices, Sub-Branch Offices, and Representative Offices of Foreign Banks.

#### Number 4

The provisions concerning Connected Parties are guided by the provisions of Bank Indonesia concerning the Legal Lending Limit.

Number 5

Self-explanatory

Number 6

Self-explanatory

Article 2

Letter a

Self-explanatory

Letter b

Self-explanatory

Article 3

Paragraph (1)

If deemed necessary, examination by Bank Indonesia may be conducted outside working hours.

Letter a

Holding company is a company that directly or indirectly owns shares in a Bank.

Letter b

Subsidiary is a company whose shares are wholly or partly owned by a Bank.

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Bank Debtors are parties that have obtained credit or financing facilities based on Syariah Principles

or in other equivalent form, based on an agreement between the bank and the customer concerned.

Paragraph (2)

The purpose of examination of a holding company of a Bank, subsidiary of a Bank, Connected Party of a Bank, Affiliated Party of a Bank, and Bank Debtor is to obtain a comprehensive picture of the condition of the Bank, including risks that may affect the Bank. This examination constitutes part of the examination of a Bank.

Article 4

Paragraph (1)

In essence, the examination conducted by Bank Indonesia takes place not less than once each year for each Bank. In addition, examination may be conducted at any time if deemed necessary to verify the results of off-site monitoring and in cases of indications of irregularities in departure from sound banking practices.

Paragraph (2)

Supporting facilities are defined as including but not limited to telecommunications networks, computers, and associated software.

Article 5

Paragraph (1)

In addition to encompassing financial aspects, examination may also be conducted to ascertain the integrity and competence (fit and proper) of the owners, management, and employees of a Bank.

Letter a

Self-explanatory

Letter b

Other information is defined as information obtained from other sources.

Letter c

Self-explanatory

Letter d

In this regard, the Bank may become a target or an instrument of criminal acts.

A bank becomes a target of a criminal act, for example, if it is a victim of bank embezzlement, fictitious transactions by telex or fax, or other actions which ultimately may cause the Bank to sustain losses.

A bank becomes an instrument of a criminal act, for example, if it collects public funds not recorded in the books of the bank.

Paragraph (2)

Prevailing Bank Indonesia regulations are defined as including but not limited to provisions concerning the requirements and procedures for establishment of branch offices, sub-branch offices, and representative offices of foreign banks and provisions concerning the Debtor Information System.

Article 6

Paragraph (1)

Self-explanatory

Paragraph (2)

The meaning of Bank, Representative Office of a Foreign Bank, and other parties includes the board of

commissioners, board of directors, management of a Branch Office of a Foreign Bank, management of a Representative Office of a Foreign Bank, and employees directly responsible to these parties.

Paragraph (3)

Self-explanatory

Article 7

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

Self-explanatory

Letter b

Assignment of Other Parties by Bank Indonesia may take place by:

- a. tender;
- b. direct appointment subject to conditions including the following:
  - (1) Bank Indonesia requires specialized assistance;
  - (2) time constraints.

Letter c

In the event that a joint team consists of employees of Bank Indonesia and Other Parties assigned by Bank Indonesia, the examination team leader shall be an employee of Bank Indonesia.

Article 8

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 9

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 10

Paragraph (1)

Self-explanatory

Paragraph (2)

Terms of Reference shall state among others the following:

- a. objectives and scope of examination;
- b. timeframe for examination;
- c. preparation of report on findings;
- d. techniques and ethics of examination;
- e. number and qualifications of examiners to be deployed;
- f. confidentiality of examination;

g. examination work sheets.

#### Article 11

##### Paragraph (1)

Self-explanatory

##### Paragraph (2)

Self-explanatory

#### Article 12

##### Paragraph (1)

Confirmation shall take place in a meeting between the examination team and the management of the examined parties and the results shall be set forth in minutes signed by both parties.

##### Paragraph (2)

Explanations shall be delivered by the examined parties in writing to Bank Indonesia, c.q. the relevant Directorate of Bank Examination, accompanied by evidence and supporting documents.

#### Article 13

##### Paragraph (1)

The Report on Examination Findings will be used by Bank Indonesia as material for Bank supervision, including but not limited to intensive discussions with the Bank management in face-to-face meetings.

##### Paragraph (2)

Self-explanatory



Paragraph (3)

Use of the Examination Report is intended as a supervisory and development tool for improving Bank performance. For this reason, Bank management and employees may not be permitted to distribute data and/or information contained in an Examination Report.

Paragraph (4)

Self-explanatory

Article 14

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 15

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

In the event that Bank Indonesia is not permitted to conduct examination in a particular country, the same

treatment shall be applied to that country treatment, and vice versa.

#### Article 16

##### Paragraph (1)

Self-explanatory

##### Paragraph (2)

Self-explanatory

#### Article 17

##### Paragraph (1)

Self-explanatory

##### Paragraph (2)

Self-explanatory

##### Paragraph (3)

Self-explanatory

##### Paragraph (4)

In the event that Bank Indonesia is not permitted to conduct examination in a particular country, the same treatment shall be applied to that country treatment, and vice versa.

#### Article 18

##### Paragraph (1)

Results of examination shall be presented in the Indonesian language and English language.

##### Paragraph (2)

Results of examination shall be presented in the Indonesian language and English language.

The report and presentation of the results of examination shall take place in a meeting with Directorate of Bank Supervision responsible for the supervision concerned.

Article 19

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 20

Self-explanatory

Article 21

Paragraph (1)

Self-explanatory

Paragraph (2)

Review of the ownership of the holding company of a Bank shall refer to the Bank Indonesia provisions concerning Requirements and Procedures for the Purchase of Shares of Commercial Banks.

Article 22

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 23

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 24

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 25

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

Self-explanatory

Letter b

The amount of the penalty shall be stipulated in the agreement between Bank Indonesia and the Other Party.

Letter c

Self-explanatory

Letter d

Bank Indonesia shall maintain a list of accountants registered with Bank Indonesia at the Bank Indonesia internet site.

BANK INDONESIA

- 13 -

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Article 26

Self-explanatory

Article 27

Self-explanatory

Article 28

Self-explanatory

Article 29

Self-explanatory

Article 30

Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF  
INDONESIA NUMBER 3933

